

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 IO-13 ISO-00 SSO-00 CIAE-00 DODE-00

NSAE-00 NSCE-00 USIE-00 INRE-00 PM-04 H-02 INR-07

L-03 NSC-05 PA-01 PRS-01 SP-02 SS-15 AID-05 COME-00

EB-07 FRB-03 XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01

OMB-01 FEA-01 OES-06 /107 W  
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O R 021300Z OCT 76

FM AMEMBASSY ROME

TO SECSTATE WASH DC NIACT IMMEDIATE 331

TREASURY DEPT WASH DC NIACT IMMEDIATE

AMEMBASSY MANILA NIACT IMMEDIATE

INFO AMEMBASSY BERN

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AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

USMISSION GENEVA

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AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMCONSUL MILAN

AMCONSUL NAPLES

"3,/AMCONSUL FLORENCE 1371

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MANILA PASS SECRETARY SIMON PARTY FOR WIDMAN; STATE PASS FRB;  
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E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: ANDREOTTI TELEVISION ADDRESS TO THE NATION ON  
STABILIZATION PROGRAM

REF: ROME 16162

BEGIN UNCLASSIFIED.

1. SUMMARY. FACED WITH CONTINUING WEAKNESS OF LIRA IN EXCHANGE MARKET, PRIME MINISTER ANDREOTTI ADDRESSED THE NATION ON TELEVISION OCTOBER 1, TO EXPLAIN INTRODUCTION OF THREE EMERGENCY MEASURES AND TO SEEK SUPPORT FOR ECONOMIC STABILIZATION PROGRAM. SPEECH WAS AN UNUSUAL APPEAL FOR PUBLIC SUPPORT WHICH SOUGHT TO PERSUADE, RATHER THAN THREATEN. IN EXPLAINING NATURE OF ECONOMIC CRISIS IN LAYMAN'S TERMS, ANDREOTTI SOLICITED SUPPORT OF EACH CITIZEN AS WELL AS APPEALING TO TRADE UNIONS AND POLITICAL PARTIES TO DEMONSTRATE "RESPONSIBILITY."

END SUMMARY.

2. PRIOR CONSULTATION. EARLY IN SPEECH, ANDREOTTI INDICATED THAT MEASURES TO STABILIZE LIRA HAD BEEN DISCUSSED WITH PRESIDENT OF THE REPUBLIC, TRADE UNIONS AND POLITICAL PARTIES BEFORE THEY WERE ADOPTED IN YESTERDAY'S EMERGENCY COUNCIL OF MINISTERS' SESSION. SPEECH PROVIDED EVIDENCE THAT THE ANDREOTTI GOVERNMENT HAD AT LEAST PARTIALLY CONCEDED TO DEMANDS BY LEFT (AND PRINCIPALLY PCI) THAT ADMINISTRATIVE PRICE INCREASES (AND APPARENTLY PUBLIC TARIFF RATE INCREASES) SHOULD NOT BE EFFECTED UNTIL THEY HAVE BEEN SUBJECTED TO EXAMINATION IN PARLIAMENT.

3. GOI STABILIZATION AIMS. AFTER ANNOUNCING INCREASE IN BOI DISCOUNT RATE, TEMPORARY FOREIGN EXCHANGE SURTAX, AND INCREASE IN EXPORT SURRENDER REQUIREMENT (SEPTTEL), ANDREOTTI SAID THAT IT WAS THE DUTY OF GOI TO CLEARLY INFORM PUBLIC OPINION OF REASONS FOR LATEST "COLD SHOWER" OF ECONOMIC MEASURES. HE SAID, "I BELIEVE THAT FROM NOW ON, BESIDES GIVING DETAILED INFORMATION TO PARLIAMENT, THE GOVERNMENT MUST MAKE DIRECT APPEAL TO PUBLIC OPINION." REFERRING TO SUBMISSION TO PARLIAMENT ON SEPTEMBER 30 OF FORECAST AND PLANNING REPORT FOR 1977, HE RE-AFFIRMED GOI LIMITED OFFICIAL USE  
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INTENT TO IMPLEMENT NOT JUST SHORT-TERM PROGRAM CALLING FOR SACRIFICES BUT LONGER-TERM PROGRAM AIMED AT: 1) RE-ENVIGORATING PRODUCTIVE SYSTEM, 2) BRINGING ITALIAN INDUSTRY UP TO DATE TECHNOLOGICALLY, 3) DEVELOPING MEZZOGIORNO IN ACCORDANCE WITH NEW MEZZOGIORNO LAW, 4) ASSURING FIRST JOB FOR YOUTHS, AT LEAST IN FORM OF APPRENTICESHIP TRAINING, AND 5) FAVORING AGRICULTURAL DEVELOPMENT IN PART TO HELP BALANCE OF PAYMENTS.

4. BALANCE OF PAYMENTS. ANDREOTTI SAID THAT ITALY WAS FACED WITH TWO SERIOUS ILLNESSES--BUDGET DEFICITS AND BALANCE OF PAYMENTS

DEFICITS. HE POINTED OUT THAT EVERYTIME AN ITALIAN SPENT 100 LIRE, 25 OF THOSE LIRE WERE USED TO PAY FOR IMPORTS. HE ALSO STRESSED BURDEN OF ITALY'S FOREIGN DEBT AND CONCLUDED THAT IN ORDER FOR THEM TO GRANT ADDITIONAL CREDITS TO ITALY, POTENTIAL FOREIGN CREDITORS SUCH AS EC, IMF, AND US WOULD REQUIRE THAT ITALY REFORM ITS ECONOMIC SYSTEM, INCLUDING REDUCTIONS IN CENTRAL GOVERNMENT EXPENDITURES AND RE-ESTABLISHMENT OF EQUILIBRIUM IN THE BUDGETS OF OTHER PUBLIC ENTITIES.

5. BUDGET DEFICIT. ANDREOTTI CALLED ATTENTION OF ITALIANS WHO HAVE CRITICIZED PROPOSALS FOR INCREASES IN PUBLIC TARIFF RATES TO FACT THAT THIS YEAR STATE RAILROADS WILL HAVE DEFICIT OF 906 BILLION LIRE AND STATE ELECTRIC COMPANY (ENEL) WILL HAVE DEFICIT OF 900 BILLION. HE ASKED WHETHER FOREIGNERS CAN BE EXPECTED TO GIVE ITALY FINANCIAL ASSISTANCE, IF ITALY DOES NOT RAISE ITS PUBLIC SERVICE TARIFFS TO LEVELS WHICH PREVAIL IN OTHER COUNTRIES. HE SAID THAT, IN FOLLOWING WEEK, AFTER PRIOR DISCUSSION WITH UNIONS, GOI WOULD PRESENT TO PARLIAMENT PROPOSALS FOR ADMINISTERED PRICE AND PUBLIC TARIFF INCREASES. ANDREOTTI DESCRIBED BATTLE AGAINST TAX EVASION AS FUNDAMENTAL PART OF GOVERNMENT PROGRAM AND WARNED THAT AT VERY MOMENT OF HIS TV ADDRESS, MINISTER OF FINANCE WAS MEETING WITH COMMANDING GENERAL OF FINANCE GUARD TO EXAMINE LIST OF POSSIBLE VIOLATORS OF TAX AND FOREIGN EXCHANGE REGULATIONS IN RECENT DAYS.

6. LABOR COSTS. ANDREOTTI PROPOSED THAT WAGE INDEXATION ADJUSTMENTS SHOULD BE APPLIED IN PROGRESSIVELY LOWER AMOUNTS TO NET INCOMES BEGINNING AT 6 MILLION LIRE PER YEAR AND THAT HIGHEST INCOMES (AMOUNT UNSPECIFIED) SHOULD RECEIVE NO COST OF LIVING ADJUSTMENT AT ALL FOR TWO-YEAR PERIOD. HE ALSO INDICATED LIMITED OFFICIAL USE  
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THAT GOVERNMENT WOULD SHORTLY PROPOSE PLAN TO ELIMINATE INTRA-WEEK HOLIDAYS IN ORDER TO IMPROVE LABOR PRODUCTIVITY.

7. APPEAL TO THE NATION. ANDREOTTI CALLED ON EVERY ITALIAN TO TAKE SMALL VOLUNTARY STEPS TO COOPERATE WITH GOVERNMENT-IN-RESOLVING ITALY'S ECONOMIC PROBLEMS. HE SUGGESTED THAT THEY COULD DO SO THROUGH SUCH MEANS AS EXERCISING CONSUMER CHOICE IN SELECTION OF FOOD PURCHASES AND THROUGH CONSERVATION OF ENERGY. ANDREOTTI CONCLUDED HIS SPEECH BY RECOGNIZING THAT HIS GOVERNMENT DID NOT HAVE MUCH STRENGTH IN PARLIAMENT BUT SAID, "I BELIEVE THAT THERE ARE TIMES, SUCH AS THE PRESENT, WHEN ALL POLITICAL FORCES SHOULD FEEL A RESPONSIBILITY TOWARD THE ITALIAN PEOPLE WHICH GOES BEYOND ANY CONSIDERATION OF PARTISAN INTEREST AND BEYOND ANY PERSONAL CONSIDERATIONS. IT IS CERTAIN THAT WE ARE WORKING IN THIS DIRECTION AND THAT-WE MUST PERSEVERE AT ALL COSTS." END UNCLASSIFIED.

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8. COMMENT. FOLLOWING WAVE OF OPPOSITION TO PROPOSED INCREASES IN ADMINISTERED PRICES AND IN PUBLIC TARIFF RATES BY PCI AND TRADE UNIONS (REFTEL), ANDREOTTI'S DECISION TO GO ON TELEVISION TO PERSUADE ITALIAN PUBLIC TO SUPPORT AUSTERITY MEASURES WITH REALISM WAS WELL-TIMED POLITICAL ACT. IN OPINION OF ONE SEASONED COMMENTATOR (ALBERTO SENSINI IN CORRIERE DELLA SERA), ANDREOTTI SHOWED "A QUICK CAPACITY FOR RECUPERATION BY HIS RECOURSE TO A DIRECT TELEVISION APPEAL TO THE NATION." TELEVISION ADDRESS APPEARS TO HAVE BEEN HELPFUL IN REFURBISHING ANDREOTTI'S IMAGE AS CAPABLE, RESTRAINED AND DETERMINED LEADER. END LIMITED OFFICIAL USE. VOLPE

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## Message Attributes

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